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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/28/07

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1) TOP HEADLINES

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Human resources bank for bureaucrats: Unified control within three years after establishment; Prime minister orders starting of operation in fiscal 2011

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Mainichi:

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- (2) Nishiyama case: Time to withdraw claim that there was no secret agreement with US

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- (1) Regulation on golden parachute practice by bureaucrats: Take every measure to secure efficacy
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- (1) Secret agreement on Okinawa: Court decision on Nishiyama case is against what happened
- (2) Amakudari practice: Signs of government proposal for placing ban on practice becoming watered down already appearing

Akahata:

- (1) Balancing work and family: JAL should fulfill its social responsibility

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, March 27

07:47

Attended a cabinet meeting. Education Minister Ibuki stayed behind. Followed by Land, Infrastructure and Transport Minister Fuyushiba.

09:52

Met New Komeito President Ota, Diet Affairs Committee Chairman Urushibara, and others.

10:04

Met Economic and Fiscal Policy Minister Ota, joined by Special Advisor Nemoto and others. Nemoto stayed behind. Later met Economy, Trade and Industry Vice Minister Yamamoto.

11:02

Issued official appointments to incoming GSDF Chief of Staff Oriki, ASDF Chief of Staff Tomogami, and others.

11:20

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Met Chief Cabinet Secretary Shiozaki, and deputy chief cabinet secretaries Shimomura, Suzuki and Matoba.

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12:58

Met Lower House member Tadamori Oshima. Followed by National Policy Agency Director General Uruma.

13:25

Met Cabinet Intelligence Director Mitani and Cabinet Satellite Information Center Head Oda.

14:30

Gave a press conference.

15:12

Met Chilean Foreign Minister Foxley.

15:33

Met Public Information Head Nita and Public Information Bureau Director General Katayama at party headquarters. Posed for the LDP's commercial film.

16:32

Met Secretary General Nakagawa.

16:54

Met Lower House member Seiichi Ota at the Kantei. Later, attended a meeting of the Council on Economic and Fiscal Policy.

19:05

Attended a dinner party with his wife held by Swedish King Gustaf and his wife at the Hotel Okura.

23:24

Returned to his official residence.

4) Prime minister leaves implication he might visit Yasukuni Shrine

SANKEI (Page 5) (Full)
March 28, 2007

In a press conference held yesterday following the passage of the budget bill for FY2007, Prime Minister Shinzo Abe said, "I would like to continue to have respect to those who fought for the sake of our country." He thus implied that he might visit Yasukuni Shrine. Abe added, "Since the prime minister's visit to the shrine itself actually becomes a diplomatic issue, I have no intention to say if I will visit the shrine or not."

5) Abe mulls another visit to China

TOKYO (Page 2) (Abridged)
March 28, 2007

Prime Minister Shinzo Abe met the press yesterday afternoon with the Diet having approved the budget for fiscal 2007. Chinese Prime Minister Wen Jiabao's visit to Japan has now been formally scheduled for April 11-13. In this connection, Abe clarified that he would consider making a second visit to China as prime minister. "In order to develop Japan-China relations further, it is a plus, of course, for the leaders of our two countries to make frequent visits to each other," Abe said.

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The Chinese side has invited Abe to visit China late this year. Based on the results of Wen's visit to Japan, Abe is expected to enter into coordination to schedule his visit to China.

To a question if Abe would visit Yasukuni Shrine, he reiterated that he would not mention when he plans to visit the shrine or whether he will visit the shrine. "A (prime minister's) visit to the shrine will become a diplomatic issue in itself as a matter of fact, so I will not say whether I will pay homage at the shrine," Abe said.

In addition, Abe also ruled out the possibility of shuffling his cabinet before this summer's election for the House of Councillors. Meanwhile, former Prime Minister Junichiro Koizumi, who is Abe's predecessor, upheld "one cabinet, one minister." With this in mind, Abe referred to the possibility of shuffling his cabinet in the future, saying: "I have not said that I would do so. I'd like to utilize human resources needed at each time."

6) LDP, New Komeito presents a national referendum revision plan aiming to its enactment in current Diet session; Minshuto to oppose it

YOMIURI (Page 2) (Excerpts)
March 28, 2007

The ruling Liberal Democratic Party and the New Komeito yesterday submitted to the Lower House Special Research Committee on the Constitution a revision to a bill outlining procedures for a national referendum that partially reflect the major opposition Minshuto's (Democratic Party of Japan) standpoints, such as setting the voting age at 18. The ruling block eyes Lower House approval on April 13 to enact it during the ongoing Diet session. Minshuto has begun coordination to oppose it.

The ruling camp originally presented the Diet with a national referendum bill last May. In the revised bill, the voting age has been lowered from 20 to "18 in principle." A supplementary provision notes, however, that the clause pertaining to the voting age shall go into effect in three years and that until then the voting age shall be set at 20. The object of a national referendum is also identified as a topic under consideration in the additional clause.

Former Justice Minister Okiharu Yasuoka of the LDP, who had taken the initiative in drawing up the revisions, indicated that making amendments to the Public Offices Election Law and relevant Civil Law provisions would be a prerequisite for setting the voting age at 18.

The Lower House Special Research Committee on the Constitution will hear the ruling parties' explanation on their revision plan and hold a question-and-answer session on March 29. The ruling camp plans to take a vote on the plan at the committee meeting on April 12 and at a plenary session on the 13th even without the Minshuto's concurrence.

7) Diet deliberations on Key bills: Priority order has yet to be determined due to tight Diet session schedule; Stormy process likely

MAINICHI (Page 5) (Full)
March 28, 2007

Following the passage of the fiscal 2007 budget, the focus of Diet deliberations has shifted to the fate of key bills, which Prime Minister Shinzo Abe wants to push through the Diet. The government and the ruling bloc are determined to prioritize a national referendum bill stipulating procedures for amending the Constitution, a set of education-related bills and an extension of the Iraq Reconstruction Assistance Special Measures Law. However, the order of deliberations on so many key bills has not necessarily been fixed due to the delay in the submission of bills related to reform of the public servant system. Since the last half of the Diet session is tight with unified local elections and the Upper House election coming before and after it, it could encounter complications, depending on the development of such issues as Agriculture Toshikatsu Matsuoka's utility and water expenses issue.

An amendment to the national referendum bill, submitted to the Diet on Mar. 27, is likely to obtain Diet approval within May. However, the prime minister, who wants to place his distinct policy color on legislation, is strongly committed to passage of three education-related bills. The ruling camp is now looking into a way to enable deliberations on those bills regardless of the fixed deliberation schedule, by setting up a special committee, to ensure their passage by the end of the Diet. However, the establishment of a special committee will make it easier for the opposition camp to demand attendance of Chief Cabinet Secretary Shiozaki, which could affect deliberations on such bills as an amendment to the Iraq Reconstruction Special Measures Law, which requires participation of Shiozaki. Realizing passage of the bill amending the Iraqi Reconstruction Special Measures Law and the US Forces in Japan Reorganization bill during the current Diet session is equal to top agenda items, if the Japan-US alliance is taken into account.

Many other cabinet ministers than Shiozaki have more than one key bill to deal with. Defense Minister Kyuma has the USFJ realignment special measures law and the Iraq bill and a bill amending the Security Council Establishment Law designed to set up a Japanese equivalent of the US National Security Council.

A senior ruling party member in the Upper House noted, "We want to deal with key bills in the order of the national referendum bill, education-related bills and the Iraq bill." He is also agonizing over how to handle bills that have a strong nature of being a measure on the Upper House election. Regarding a bill related to reform of the Social Insurance Agency, legislation submitted with the aim of shaking government trade union bodies, which are supporting the Democratic Party of Japan (DPJ or Minshuto), and labor reform-related bills, which have strong relations with the prime minister's second-challenge policy, some senior ruling party members noted that it would be advantageous to secure Diet approval for those bills as well, if the upcoming Upper House election is taken into consideration.

Though the situation is such that a possibility of extending the Diet session should be looked into in ordinary circumstance, with the summer Upper House election close at hand, the latest possible end of the session is June 23, as is so set now. It is, therefore, impossible to pass all bills through the Diet, as a senior Diet Policy Committee member put it. LDP Secretary General Hidenao Nakagawa yesterday conferred on the matter with Deputy Chief Cabinet Secretary Hakubun Shimomura, but they did not reach any conclusion.

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8) LDP, Minshuto agree to enact basic marine law in current Diet session

YOMIURI (Page 2) (Full)
March 28, 2007

The Diet Affairs Committee chairmen of the ruling Liberal Democratic

Party and the opposition Minshuto (Democratic Party of Japan) reached an agreement yesterday to enact a basic maritime law in the ongoing Diet session in collaboration with the New Komeito. They plan to submit a bill to the Lower House Committee on Land, Infrastructure and Transport in early April in the name of the chairman that does not require committee deliberations.

The bill is chiefly intended to establish prime minister-headed marine policy headquarters in the Cabinet Secretariat to allow a team of specialists led by a marine policy minister to plan and coordinate cross-agency policies. Based on Japan's bitter lessons from its slow responses to disputes with neighboring countries over marine interests, such as China's development of gas fields in the East China Sea, the parties eye a system to exclusively implement marine policies.

In order to secure safety in developing gas fields in Japan's exclusive economic zone, the parties also have decided to submit a bill on safe waters for marine buildings and structures, drawn up by the ruling camp, to aim at its enactment at the same time.

9) Prime Minister Abe implies a possible cabinet shuffle after Upper House elections

MAINICHI (Page 2) (Full)
March 28, 2007

Takashi Tanigawa

Prime Minister Shinzo Abe yesterday afternoon held a press conference at the Prime Minister's Official Residence (Kantei), following the passage of the fiscal 2007 budget bill in the Diet on the previous day. When asked about the possibility of shuffling his cabinet before the Upper House elections in summer, an idea now being floated by some of the ruling Liberal Democratic Party (LDP) in a bid to deal with the falling cabinet support ratings, Abe denied it: "I have no intention to do that at present." But he implied a cabinet shuffle might take place after the Upper House elections, noting: "I have never mentioned such a thing as (one cabinet with one cabinet lineup). I'd like to make good use of human resources who meet the needs of the day."

In response to questions asking about the target seats of the LDP in the Upper House elections and how to take responsibility if the ruling parties fail to win a majority of seats, Abe avoided answering and said, "It's too early to refer to such things," and added: "By implementing policies steadily and accumulating results, I will create an environment for us to win in the Upper House elections."

Referring to Chinese Premier Wen Jiabao's upcoming visit to Japan on April 11-13, Abe stressed: "Since my visit to China (in last October), both countries have worked in close cooperation to resolve the abduction issue as well. I hope to move this relationship one step forward in order to build strategic, reciprocal relations." On

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the question of Japan's bid for a permanent seat on the United Nations Security Council, Abe indicated his intention to seek cooperation from Wen during talks with him, noting: "I'll make efforts to obtain his backing." When asked whether he will visit China within this year, Abe said: "I'd like to consider it while examining my political calendar."

10) Smoldering criticism of Japan in US over comfort-women issue smoldering, with some pointing to difference in Japan's enthusiasm about resolving abduction issue; Issue linked to human rights

NIHON KEIZAI (Page 2) (Full)
March 28, 2007

Hiroshi Maruya, Washington

Criticism in the United States of the Japanese government's handling of the so-called wartime comfort-women issue that involved the former Japanese Imperial Army continues to smolder. Although the

Department of State lauded Prime Minister Shinzo Abe for his apology (to comfort women), a spokesman at the same time urged Tokyo to respond to the issue in a way to "give consideration to promoting good relations with neighboring countries," and asked Japan to minimize frictions with South Korea and other countries. Since American politicians tend to attach importance to human-rights issues, many see the comfort women and the abduction issues in the same context as violations of human rights. There is no sign that the criticism of Japan will fade away.

The US House of Representatives is debating a resolution calling on the Japanese government to apologize for the comfort-women issue. Because the House decided not to take a vote on the resolution before Abe's planned visit to the US in late April, the resolution appeared to be losing steam.

However, the Washington Post in an editorial on March 24 wrote: "If Mr. Abe seeks international support in learning the fate of Japan's kidnapped citizens, he should straightforwardly accept responsibility for Japan's own crimes -- and apologize to the victims he has slandered."

On March 26, Abe rebutted: "The abduction issue is an ongoing violation of human rights." But one State Department official cited the need to resolve the issue in a "direct and responsible manner." With the number of the co-sponsors of the House resolution having increased to 50 at present, the US Congress could toughen its position in the wake of the daily's criticism and Abe's most recent remarks.

The strong concern shared among Japan experts and others knowledgeable about Japan-US relations is that Republicans and Democrats are equally sensitive to human-rights issues. The State Department's response asking Tokyo to consider relations with neighbor countries signifies the possibility that such a concern is being translated into reality. The Japanese government is now under pressure to steer a difficult course to resolve this situation.

11) Bush foreign policy has changed from hard-line stance to pragmatic line with compromise toward North Korea and direct dialogue with Iran

SANKEI (Page 6) (Excerpt)

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March 28, 2007

The Bush Administration in the United States has made a decision to essentially remove all financial sanctions on North Korea. There is rising concern in Japan, which has given priority to coordinating sanctions against North Korea with the United States. Although the US government stresses that "there is no wavering in our policy line," the move to achieve visible foreign-policy results has accelerated not only in North Korea policy but also in the US' Middle East policy. Senior officials in the Bush administration who had sustained the hard-line policy, such as in launching the Iraq war, have resigned one after the other, and there has been a shift toward a "pragmatic diplomacy," under Secretary of State Rice and others.

12) Cabinet decision made to dispatch GSDF officials to Nepal

SANKEI (Page 5) (Full)
March 28, 2007

In a cabinet meeting yesterday, the government adopted an action plan to dispatch military monitoring personnel to the United Nations Mission in Nepal (UNMIN), based on the UN Peacekeeping Operation (PKO) Cooperation Law. Six unarmed Ground Self-Defense Force (GSDF) officials will monitor over the year the process of disarmament by the Nepalese National Army and the Nepal Communist Party Maoists' group, a former anti-government organization. The officials will leave Japan on March 30 and stay in Nepal until the end of March of next year. This will be the first overseas dispatch since SDF troops' overseas activities were designated as a main mission.

13) Kyuma: Drafting of plans to return six US military facilities in Okinawa to Japan delayed

TOKYO SHIMBUN (Page 2) (Full)
March 28, 2007

The US military is supposed to draw up specific plans before the end of this month to return to Japan its six military facilities south of Kadena Air Base, including Futenma Air Station, as part of the realignment of US forces in Okinawa. Defense Minister Fumio Kyuma indicated before the Lower House Committee on Security yesterday that the production of plans would slip to April or later, saying: "The plan is being delayed. The United States says that it needs more time."

14) Budget for relocating US Marines to Guam not yet secured; Possibility of increased burden on Japan

AKAHATA (Page 2) (Excerpt)
March 28, 2007

In spite of the expected rise in annual expenditures for the US Marines accompanying the relocation from Okinawa to Guam of 8000 troops and their 9,000 family members, the US Marine Corps Command has not taken the budgetary steps needed for the move, it was learned from a US government report. It is likely that this will result in an expected request to Japan to increase its share of the burden, and it could have a great impact on the timetable for relocation the Marines to Guam that is expected to be complete in 2014.

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The report, "Plan for Annual Outlays and Increases in Force Structural Changes in the US Pacific Forces" and was released by Department of Defense inspectors on March 12 but deleted from the Pentagon's home page several days later. According to the report, in the relocation of US Marines to Guam "it is estimated that there will be a annual budget increases to \$464.79 million (approximately 54.85 billion yen, with \$1 = 118 yen). In spite of that, it was pointed out, "The necessary budgetary plan has not yet been submitted." Moreover, the report stated: "At this rate, there will be an impact on the living standard of the Marines and their families living in Guam, as well as on the readiness of the units."

15) LDP execs critical of extending Iraq law; "US, UK owned up to mistake"

TOKYO (Page 2) (Full)
March 28, 2007

The ruling Liberal Democratic Party yesterday approved a draft bill revising the Iraq Special Measures Law to extend the Self-Defense Forces' current mission in Iraq for two years. The New Komeito also approved the bill yesterday. The two ruling parties have now gone through their internal procedures to present the bill to the Diet. The LDP held a meeting of its executive board yesterday to approve the bill. In the meeting, however, there were critical views from among the LDP's executive board members about extending the SDF's Iraq deployment without summing up the Iraq war. There are also concerns within the LDP about negative repercussions on this summer's election for the House of Councillors.

In the LDP executive board meeting, former LDP Secretary General Koichi Kato, who is negative about the Iraq war, noted: "The Bush administration made a serious misjudgment. Ambassador to the United Nations Bolton (who led the Iraq war) was not retained, and he was dismissed. But (in Japan), no one took responsibility."

Former Home Affairs Minister Takeshi Noda also raised an objection, saying: "Both US President Bush and British Prime Minister Blair said it was a mistake, but Japan alone is saying it was not a mistake. I feel it's strange."

Both Kato and Noda did not oppose extending the SDF's Iraq mission. In the meeting, Yuya Niwa, chair of the LDP's executive board, said

he would convey their views to the government. With this, Niwa obtained their consent to the bill.

However, their remarks mirror dissatisfaction smoldering within the LDP about extending the SDF's Iraq deployment without clarifying responsibility for Japan's support for the Iraq war.

The LDP held a meeting of its national defense division on March 20. In that meeting as well, one noted the government's lack of accountability, saying: "The Iraq issue is a matter of high concern to the public. Why two years? It's hard to explain it (to the people)."

16) Spy satellite in trouble

TOKYO (Page 2) (Full)
March 28, 2007

Japan's first intelligence-gathering satellite, which was orbited in

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March 2003, has not been operational since March 25 due to internal trouble, the Cabinet Satellite Intelligence Center announced yesterday. The satellite's power system seems to be malfunctioning due to aging degradation. The government is now hurrying to recover the troubled system, but it cannot predict when the satellite will become operational again, according to the CSIC.

In February this year, Japan launched a second radar satellite to complete a full lineup of four intelligence-gathering satellites-consisting of two radar satellites and two optical satellites-ready to photograph anywhere on the globe once or more often around the clock. However, Japan's four-satellite readiness is now already in trouble.

The second radar satellite was initially expected to go operational this summer. However, the CSIC is now thinking of frontloading its full-fledged operation earlier than scheduled.

According to the CSIC, the first radar satellite remains unable to photograph even after it is commanded from its ground station. Its designed life is five years. However, the troubled satellite is now highly likely to discontinue its operation without working for five years. Its manufacturing cost was approximately 42 billion yen.

"The satellite was trouble free for four years," a CSIC official said. "It's likely that a satellite goes wrong one year before its designed life ends," the official added. The government plans to lift off a third radar satellite in fiscal 2011, so Japan will be again with three satellites until then if the troubled satellite is not back to normal.

17) Finance Ministry to approve tax deferral for "preparatory companies" of foreign company planning triangular merger

NIHON KEIZAI (Page 1) (Excerpts)
March 28, 2007

Prior to the removal in May of a ban on triangular mergers, in which a foreign company acquires a Japanese company with its own shares, the Finance Ministry has decided to approve tax deferral for a "preparatory company" set up in Japan by the foreign company and engaged in advertisement and other activities. By making this measure applicable to preparatory companies and not for paper companies, the ministry will pave the way for foreign companies with no production line or sales network in Japan to be able to acquire Japanese firms through triangular merger deals.

The Finance Ministry will announce related ministry ordinances in mid-April. Prior to the planned removal of the ban on triangular mergers, the government pushed ahead with systemic arrangements, such as the expansion of the requirement on foreign companies to disclose information for the sake of protecting shareholders. With the approval of tax deferral, the systemic arrangements have been completed.

Under the triangular merger formula, a foreign company merges with a Japanese company via its Japanese subsidiary through stock swaps. The shareholders of the acquired company receive not cash but the parent company's shares in exchange for their shares. In this case, if tax deferral is not allowed, the shareholders of the acquired company have to prepare cash to pay taxes.

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In this light, foreign companies considering merger plans in Japan have insisted that unless tax deferral is approved, triangular mergers will be impossible in effect.

In merger cases between Japanese companies, tax deferral is allowed if the listed conditions are met, such as that they have some business relation.

SCHIEFFER